Student Loan Counseling:

A multi-phase project on student loan counseling and its efficacy

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Outline

- Policy climate
- Legislative and regulatory history
- Research literature review
- Student observations: Exit counseling
- Student observations: Entrance counseling
- Evidence-based promising practices
- Next steps

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Policy Climate

- Lack of college affordability
- The Great Recession made repayment challenging, even for good students from affluent families
- Harsh consequences for poor decisions that lead to default
- President Obama's Executive Action
- Congressional proposals

Legislative and Regulatory History of Loan Counseling

- (1986) First statutory mandate for exit counseling
- (1989) Required entrance counseling and specified information to share
- (1998) Clarified that electronic delivery of exit counseling was allowed
- (2000) Explain MPN, consequences of default and the mandatory nature of repayment
- (2008) Interactive programs for counseling, role of lenders, and added information requirements

Literature Review

- Student comprehension
- Delivery method
- Timing
- Complexity and volume of information

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Current Title IV Loan Counseling

- Dominated by ED's online tools (free, scalable, legal)
  - 70% utilization among fin aid offices
  - 90% of offices in budget crunch cut face-to-face first
- No theoretical or practical evidence on effectiveness among actual users

Exploring Effectiveness: The Research Design

- 75-80 user experience tests
  - Actual borrowers doing the actual counseling
  - About half exit counseling, half entrance
  - Accompanied by surveys
- 12 schools
- Diversity of sector, region, gender, age, race, parent's education, level of financial literacy & financial aid awareness

Some Positive Themes

- They take this seriously; begin with full tanks
- They know the basics and want specifics
- They are optimistic about repayment
- They prefer items specific to them and their money

More Positive Themes

- They like the interactive elements
- They like auto-population and logic
- They really like the detailed repayment plan comparison chart
- Most understand importance of servicer

Negative Themes: Pop-up Quizzes

- Signals that the information is important
- But students perceive it to be trivial
  - Common sense
  - Unimportant detail
  - Too easy to cut and paste the answer
- Has unintended consequence of devaluing the experience

“The questions are weird. It’s like either something really basic or some crazy detail. They’re definitely not teaching me anything important.”

Negative Themes: Skip Dynamic

- Borrower is confronted with irrelevant information
  - MPN during exit
  - Eligibility criteria for PLUS loans during exit
  - Relief options for FFELP loans they don't have
- Leads to devaluing the experience

Uniform High Importance

Meticulous Reading → Irrelevant Material → Inattention, Uniform Devaluation → Skimming → Selective Reading → Lack of Differentiation → Severe Inattention & Frustration → Incorrect Skipping

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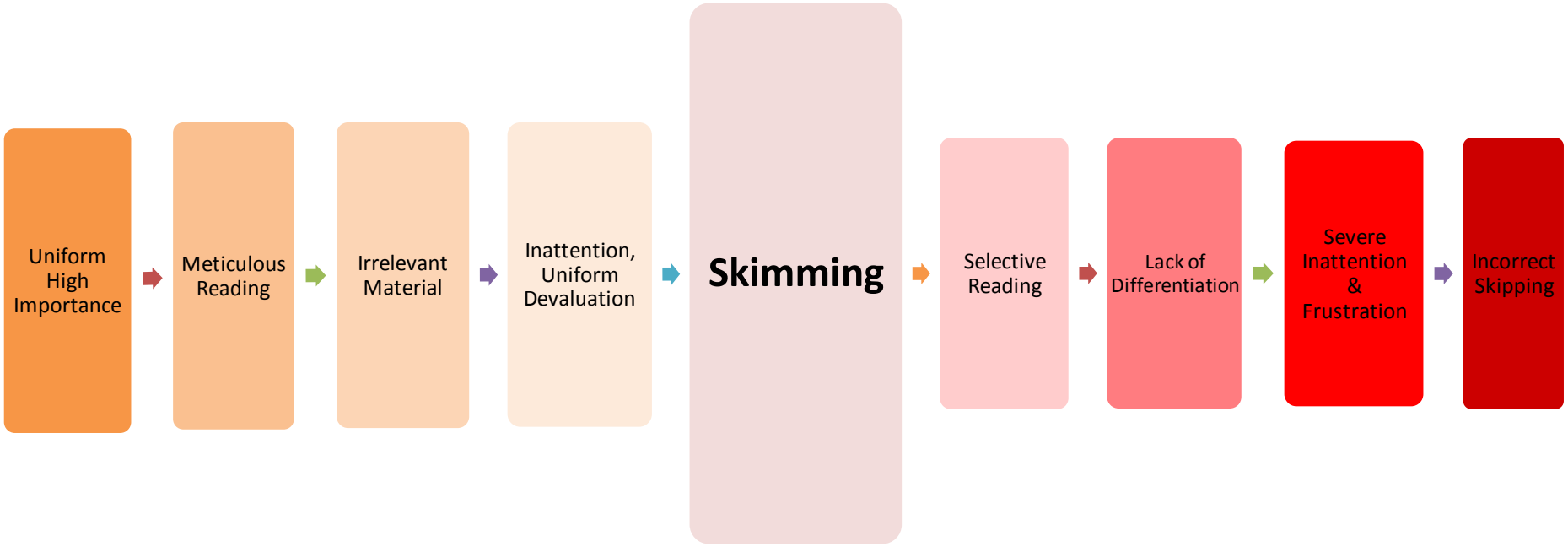
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Negative Themes: Nature and Implication of Skimming

- Headlines and first sentence or two are read; and then they make a quick judgment
- Borrower may not see the right information
- Borrower may not make the right judgment
- They rationalize their new lackadaisical attitude
  - Either the servicer will tell me if it is important or I will search Google if/when a problem occurs.
- Result: Borrower fails to be own advocate, becomes passive

“The servicer wants my money, right? So, they’ll just email me.”

What the Borrower Wants

- Introductory guidance
- Framework
- More white space, less bulk
- Signal if the material is applicable to this borrower

"They know what loans I had, so it would have been nice if they could have just populated the website with the information that I need. Plus there was a lot of stuff that was sort of good general advice, but wasn't really about repaying your loans, and it just added to the bulk."

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Similar Themes Found With Exit Counseling

- Students like practical information, especially when it's specific to them
- Text heavy; information overload
- Lack of introductory guidance
- Skimming and skipping

Preliminary Notes from Entrance Counseling

- Same level of complexity as exit, even though students are at a very different place
- Timing – can create a beginning of the semester madhouse

Preliminary Notes from Entrance Counseling

- Students need to bring certain pieces of information to get the most out of the counseling
- Calculators are problematic

Practitioner Recommendations

- Provide background/introductory information
- Send YouTube link first
- Help borrowers locate their servicer contact information
- Explain the purpose behind the budget tools

Practitioner Recommendations

- Frame the IDR repayment option differently
  - Complicated and inflexible
  - Suboptimal difference
  - Agnosticism of the material
- Supplement information with your expertise

Design Recommendations

- General introduction
- Smart filtering
- Shorter pages
- Reduce overall length through formatting and editing
- Simplify calculators
- Sample budgets and embedded income data

Policy Recommendations

- Clarify counseling regulations and allow greater professional discretion
- Explore incentives for robust, supplemental, or innovative counseling methods
- Greater resources for counseling in financial aid offices

Policy Recommendations

- Provide clarity and executive flexibility for HEA counseling requirements
- More learning with less information
- Require intermediate/additional counseling

“There’s so much information, but there’s not a lot of counseling.”

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Evidence-based Promising Practices: Goals

- Inventory the diversity of approaches used by schools that are advancing beyond minimum requirements
- Assess the efficacy of these approaches
- Better understand the obstacles and opportunities facing schools
- Make recommendations for practitioners and policymakers

Promising Practices: Schools Selected

- Baldwin Wallace University
- Broward College
- El Paso Community College
- Northern Virginia Community College
- Ohio State University
- SUNY College of Environmental Science and Forestry
- University of South Florida
- Western Technical College

Evidence-based Promising Practices: Approaches

- Integration of counseling across departments
- Robust, in-person entrance counseling
- Peer-to-peer counseling with emphasis on financial wellness
- Financial literacy training
- Annual loan counseling
- Robust, in-person exit counseling

Next Steps

- Report 1: legislative history and literature review (Winter)
- Report 2: borrower observations from the exit counseling (Winter)
- Report 3: borrower observations from the entrance counseling (Spring)
- Report 4: promising practices (Spring)
- Report 5: policy focused report (Spring)
- Feedback from ED and U.S. Treasury Department

Questions?

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